

## **Frequently Asked Questions Voluntary Separation Incentive Payments (VSIP)**

### **General Information:**

**1. What is a VSIP?** A Voluntary Separation Incentive Payment (VSIP) is commonly called a buyout. The buyout program is not a retirement program. This authority allows the agency to offer a lump sum incentive payment to eligible employees who voluntarily leave the workforce, so that the workforce may be reduced in size or reshaped. You don't have to be eligible to retire to be offered and receive a lump sum buyout.

**2. When is a buyout authorized?** The authority for federal agencies to offer buyouts was included in the legislation that created the Department of Homeland Security (Public Law 107-296, the Homeland Security Act of 2002). Agencies must request approval from the Office of Personnel Management (OPM). The Office of Management and Budget (OMB) and OPM review the plan and decide whether to approve the request.

**3. Don't I have a right to a VSIP?** Agencies ARE NOT REQUIRED to use or pay incentives. Incentives ARE NOT an employee right. The incentives are a management tool to help the agency reduce the workforce without having to run costly and disruptive reduction in force (RIF).

**Note:** In order for you to make an informed choice regarding VSIP and Voluntary Early Retirement Authority ((VERA) also called an early out), it is also necessary to understand options you may have associated with involuntary actions such as Discontinued Service Retirement (DSR), etc. This is discussed in questions below.

**4. What rights and benefits would I be giving up to voluntarily take a VSIP to retire or resign rather than waiting to be separated involuntarily?** Because you would be leaving voluntarily, you would be giving up:

- Placement assistance;
- Selection priority for federal employment under the Career Transition Assistant Program (CTAP) and Interagency Career Transition Assistance Program (ICTAP). These programs give you selection priority for federal jobs in your area at your same or lower grade, if you apply for them and are well-qualified;
- Employment in the Federal Government within next 5 years (without paying back the full gross amount of the incentive payment);
- Full amount of severance pay, if eligible (e.g., you are not eligible for severance pay if you are eligible to retire);
- Unemployment benefits (depending on your State's rules); and
- If you come back to Federal employment, you would come back as a reemployed annuitant – (under CSRS, not FERS) which would require an offset to your pay by the annuity you will continue to receive.

### **Eligibilities:**

**5. Who could be offered a VSIP?** There are basic eligibility requirements under the law for buyouts, and there are additional eligibility criteria established by the agency in the buyout plan and approved by OPM. The buyout plan describes the general categories of employees that may be offered a VSIP by organizational unit, geographic location, occupational category, grade level, and

other pertinent factors, such as skills or retirement eligibility. To receive a buyout an employee must meet the criteria and accept the conditions of the specific buyout window that is offered, and must voluntarily retire (early out or optional) or voluntarily resign during the time period covered by the buyout plan.

Employees are not eligible to receive a buyout if any of the following apply:

- They are reemployed annuitants,
- They are eligible for a disability retirement,
- They are serving under an appointment with a time limitation,
- They have not been employed by the Federal government for three (3) continuous years,
- They are in receipt of a decision notice of involuntary separation for misconduct or unacceptable performance,
- They have received a buyout before,
- They are covered by statutory reemployment rights from another organization,
- They have received a recruitment or relocation bonus within the 24-month period preceding separation,
- They have received a retention bonus within the 12-month period preceding separation,
- They have received a student loan repayment benefit during the 36-month period preceding separation, or
- They are in a position that is not covered by the VSIP or excluded by the agency's buyout plan.

**6. What does an "appointment without time limitation" mean?** An employee on an appointment with a time limit works only until a specified date and then goes off the rolls. The employing agency sets the ending dates when it hires the individual and/or when it extends the appointment. For example, temporary and term employees serve with a time limit, so they are not eligible for an incentive payment. Career and career-conditional employees and permanent employees in the excepted service have no time limit so they are eligible.

**7. What does "continuous service" mean?** To be eligible for a VSIP, employees must have been continuously employed by the Federal government for 3 years without a break in service. Leave without pay (LWOP), permanent seasonal employment (PSE) off-tour time, and other non-pay status during an appointment are NOT considered breaks in service.

**8. Can Veterans Preference be applied to be eligible for a VSIP?** No. There is no preference for veterans under the VSIP authority.

**9. If I receive a buyout payment, can I take a job in another Federal agency?** If you retired or resigned with a buyout payment under this law, you must repay the entire amount (including taxes paid), prior to your first day of employment, if you take a job with any agency of the Federal Government within 5 years of your separation date. This repayment requirement covers any kind of employment (permanent, temporary, expert, consultant, reemployed annuitant), as well as direct or personal services contracts. In very limited situations, the head of the employing agency may request a waiver of this repayment from OPM.

**10. If I'm eligible for a buyout, how much would my incentive be? Does everyone get \$25,000?** The amount of each employee's incentive will vary depending on his/her pay rate, years of civilian service, and age. The MAXIMUM gross amount for each buyout is \$25,000, and not everyone will be eligible for the maximum. The net amount you receive will be EVEN LOWER after the appropriate taxes, Social Security, Medicare, etc., are deducted by the payroll office. (An

average estimated net is about \$16,200). The basic formula for calculating your incentive is the same formula used for calculating severance pay. We have included a sample and blank worksheet below to help you ESTIMATE your buyout.

The following are examples of employees who would receive the maximum gross buyout amount of \$25,000:

- Employee making over \$52,000 a year, have at least 15 years of civilian service, and are at least 43 years old;
- Employee making at least \$40,000 a year, have at least 20 years of civilian service, and are at least 41 years old; and
- Employee making over \$82,000 a year, have at least 13 years of civilian service at any age.

**11. What if I am offered a buyout but do not choose to leave?** Incentives are for voluntary separations, and *coercion is prohibited*; however, the agency can require an employee who has committed to a buyout to follow through on that commitment.

**12. I retired from the military and am now a Federal employee. May I apply for a buyout?** Yes, if you are otherwise eligible. The Agency will compute the incentive payment only on the basis of your civilian service and any creditable military service which interrupted civilian service and which conveyed restoration rights.

**VSIP Payment:**

**13. What is the basic formula for calculating a voluntary separation incentive?** Using the severance pay calculation procedures, the amount of severance pay would be 1 week's basic pay for each of the first 10 years of your civilian service, plus 2 weeks' basic pay for each year over 10 years. An age adjustment allowance of 10% is added for each year you are over 40. (No credit is given for military service unless the service interrupted otherwise creditable civilian service and the employee returned to civilian service through the exercise of a legal restoration right.) Total severance pay may not exceed one year's pay at the rate the employee is receiving immediately before separation. The pay rate used in the calculation includes any locality and/or special pay rate you are receiving. (For the purpose of calculating a buyout payment, severance pay is figured based on the amount of your civilian service as if you would get it; you don't have to actually be eligible for severance pay.)

**14. When will I receive my buyout payment? Will it be all at once (lump sum) or monthly?**

**Is it taxable?** Generally, you should receive your buyout check within a couple of weeks of your final separation paycheck. The agency will send you the incentive payment as soon as possible after the date of your separation but cannot guarantee a specific date. First, the agency must resolve any leave errors, salary offsets, and employee debts to the Government. Your buyout is also subject to garnishment for alimony and child support. The incentive payment is taxable. You will receive it as a lump sum (less Federal income tax withholding, applicable State and local taxes, and FICA/Medicare taxes).

**Tax Information:**

**15. May I roll my buyout over into an individual retirement account or another form of tax shelter?** No. The buyout is considered fully taxable income and cannot be rolled over into retirement accounts.

**16. Are federal taxes withheld at normal tax withholding rates or a flat 25% rate?** Taxes for buyout are withheld at a flat 25% rate. Withholding taxes for the payment of your lump sum annual leave can be withheld at a flat 27% rate or at your normal tax-withholding rate. You will need to contact your Human Resources Operations Branch if you want the flat 27% rate.

**Retirement:**

**17. Can I retire under DSR and also receive a buyout lump sum payment too?** No. DSR is based on an involuntary separation. Buyouts are paid to employees who leave voluntarily.

**18. I am eligible for FERS retirement (Minimum Retirement Age (MRA) +10); however, I don't want to retire. If I am involuntarily separated, can I receive severance pay?** No. You are not eligible for severance pay if you are eligible for retirement.

**19. May I take a buyout and apply for disability retirement later?** Employees may file for disability up to one year after separation. However, *if you have received a buyout and are later found to be eligible for disability retirement, you are then responsible for repaying the entire amount of the buyout* to the agency that paid the buyout to you. This is because a disability retirement is retroactive to the date of separation, and the buyout law excludes employees having a disability on the basis of which such employee is or would be eligible for disability retirement.

**Severance Pay:**

**20. I am not eligible for regular or early retirement. Which is better, buyout or severance pay?** Whether buyout or severance pay is better depends on you and your personal situation. Leaving Federal service with a buyout payment is a voluntary action. If you accept a buyout, you will not receive severance pay

In general, employees who are not eligible for retirement and are separated involuntarily, and who meet other conditions are eligible for severance pay. This does not include:

- An employee serving under an appointment with a definite time limitation;
- An employee on an intermittent work schedule;
- An employee receiving compensation for work injuries; or
- Separations by removal for cause on charges of misconduct, delinquency, or inefficiency.

Severance pay is paid to you at your base salary rate, each pay period (like a regular pay check), until paid in full.

Leaving Federal service with a buyout payment is a voluntary action. If you accept a buyout, you will not receive severance pay. Whether buyout or severance pay is better depends on you and your personal situation.

- If your severance pay calculation is less than the \$25,000 maximum buyout payment, then by accepting a buyout payment you would be accepting your full severance entitlement (if eligible) in a lump sum, less taxes and other deductions.
- If you are eligible for severance pay and the severance pay calculation is greater than the \$25,000 maximum buyout payment, you will be giving up the difference if you take the buyout.

**Military Duty:**

**21. What if I meet the eligibility criteria for buyout (VSIP) but I am on military duty during the offer period?** Employees on military duty are treated as though they were still on the job and are not disadvantaged because of their military service. Therefore, if you met the eligibility criteria during the offer period, you would have 30 days following your return to duty with the agency to either accept or reject an offer of buyout and/or early out.

**Health Benefits:**

**22. I haven't been enrolled in the federal employees health benefits (FEHB) program for a full 5-year period. Do I lose my health insurance?** There are two different situations.

- For employees who resign (those who are not eligible for immediate annuity retirement), temporary coverage continues for up to 31 days after the enrollment terminates, with conversion privileges. You would also be eligible for temporary continuation of coverage, which allows you to continue your coverage for up to 18 months. You must pay 102% of the premiums (the employee's share, plus the Government's share, plus 2 percent of the total).
- Employees are able to continue their health insurance into retirement, even if they have not been enrolled for a full 5-year period prior to retirement, under the following pre-approved waiver guidelines from OPM:

OPM's current waiver policy provides pre-approved waivers for any employee who has been covered under the FEHB program *continuously since the beginning date of an agency's latest statutory buyout and/or early out authority*. To be eligible for a pre-approved waiver, employees must:

- Retire during the agency statutory buyout period; and
- Receive a buyout under the agency statutory buyout authority; or
- Take early optional retirement as a result of early-out authority; or
- Take a DSR based on an involuntary separation due to reduction in force, directed reassignment, reclassification to a lower grade, or abolishment of position.

If you meet these requirements, you do not need to write a letter requesting a waiver. Instead, your agency must attach a memorandum to your retirement application stating that you meet the requirements for a pre-approved waiver by OPM as set forth in revised Benefits Administration Letter (BAL) 04-208. The memorandum should provide the number of the Public Law granting your agency VSIP authority and the beginning and the ending dates of your agency's statutory buyout period.

## **BUYOUT COMPUTATION WORKSHEETS**

The following pages include a sample buyout calculation and a blank form for use in *estimating* the amount of your buyout. The actual calculation formula is somewhat more complicated and technical. The samples are intended to allow employees to figure the *approximate* amount of the buyout they may receive. The agency is not responsible for the accuracy of the results that this worksheet may give you.

**EXAMPLE OF BUYOUT ESTIMATION WORKSHEET**

line 1.       **Salary at time of separation** (GS-11/05)   = \$55,472

line 2.       **Weekly Rate** (line 1 divided by 52)       = \$1,066.77

line 3.       **Years of Service** (see A and B below)       18

A.    If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

B.    If your length of service is MORE THAN 10 years:

1) enter your length of service:       18

2) subtract 10 from your length of service:   -10

8

3) multiply the result, in this case, 8, by 2:   16

+10

4) add 10 to the amount listed in 3).       26

5) enter this total on line 3a. This is the factor for your adjusted years of service.

line 3a.       **Adjusted Years of Service**               26

line 4.       **Basic Severance Pay** (multiply amount on line 2 by number on line 3a--Adjusted Years of Service)       = \$27,736

line 5.       **Age Adjustment Factor** (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)

Age = 39 years. Factor = 1.00

Line 6.       **Estimated Severance Pay Amount**  
Multiply line 4 by line 5 factor (27,736 X 1)       = \$27,736

6a. If line 6 exceeds line 1, enter amount on line 1.

The estimated amount of severance pay will be       = \$27,736

Line 7.       **Estimated Buyout Amount**

If line 6a exceeds \$25,000 (the maximum amount set by the agency head), enter \$25,000

OR

If line 6a does not exceed \$25,000, but is more than line 1, enter amount on line 1.

**YOUR BUYOUT AMOUNT:**                               \$25,000

## **BUYOUT ESTIMATION WORKSHEET**

**Line 1.**      **Salary at time of separation (GS-\_\_\_\_\_) = \$\_\_\_\_\_**

**Line 2.** **Weekly Rate** (line 1 divided by 52) = \$\_\_\_\_\_

**Line 3. Years of Service** (see A and B below) \_\_\_\_\_

A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

B. If your length of service is MORE THAN 10 years:

1) enter your length of service: \_\_\_\_\_

2) subtract 10 from your length of service:           -10          

3) multiply the result by 2: \_\_\_\_\_

 $+10$ 

4) add 10 to the amount listed in 3).

5) enter this total on line 3a. This is the factor for your adjusted years of service.

line 3a. **Adjusted Years of Service** \_\_\_\_\_

line 4. **Basic Severance Pay** (multiply amount on line 2 by number on line 3a--Adjusted Years of Service) = \_\_\_\_\_

line 5. **Age Adjustment Factor** (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)

Age = \_\_\_\_\_ years. Factor = \_\_\_\_\_.

Line 6. **Estimated Severance Pay Amount**  
Multiply line 4 by line 5 factor \$ \_\_\_\_\_

6a. Enter the LESSOR of line 6 or line 1.

The estimated amount of severance pay will be \$\_\_\_\_\_

Line 7. **Estimated Buyout Amount**

If line 6a exceeds \$25,000 (the maximum amount set by the agency head), enter \$25,000

OR

If line 6a does not exceed \$25,000, but is more than line 1, enter amount on line 1.

**YOUR ESTIMATED BUYOUT AMOUNT:** \$

**AGE TABLE AND FACTORS**

Yrs.	Mos.	Factor	Yrs.	Mos.	Factor	Yrs.	Mos.	Factor
40	3-5	1.025	48	4-8	1.850	56	9-11	2.675
40	6-8	1.050	48	9-11	1.875	57	0-2	2.700
40	9-11	1.075	49	0-2	1.900	57	3-5	2.725
41	0-2	1.100	49	3-5	1.925	57	6-8	2.750
41	3-5	1.125	49	6-8	1.950	57	9-11	2.775
41	6-8	1.150	49	9-11	1.975	58	0-2	2.800
41	9-11	1.175	50	0-2	2.000	58	3-5	2.825
42	0-2	1.200	50	3-5	2.025	58	6-8	2.850
42	3-5	1.225	50	6-8	2.050	58	9-11	2.875
42	6-8	1.250	50	9-11	2.075	59	0-2	2.900
42	9-11	1.275	51	0-2	2.100	59	3-5	2.925
43	0-2	1.300	51	3-5	2.125	59	6-8	2.950
43	3-5	1.325	51	6-8	2.150	59	9-11	2.975
43	6-8	1.350	51	9-11	2.175	60	0-2	3.000
43	9-11	1.375	52	0-2	2.200	60	3-5	3.025
44	0-2	1.400	52	3-5	2.225	60	6-8	3.050
44	3-5	1.425	52	6-8	2.250	60	9-11	3.075
44	6-8	1.450	52	9-11	2.275	61	0-2	3.100
44	9-11	1.475	53	0-2	2.300	61	3-5	3.125
45	0-2	1.500	53	3-5	2.325	61	6-8	3.150
45	3-5	1.525	53	6-8	2.350	61	9-11	3.175
45	6-8	1.550	53	9-11	2.375	62	0-2	3.200
45	9-11	1.575	54	0-2	2.400	62	3-5	3.225
46	0-2	1.600	54	3-5	2.425	62	6-8	3.250
46	3-5	1.625	54	6-8	2.450	62	9-11	3.275
46	6-8	1.650	54	9-11	2.475	63	0-2	3.300
46	9-11	1.675	55	0-2	2.500	63	3-5	3.325
47	0-2	1.700	55	3-5	2.525	63	6-8	3.350
47	3-5	1.725	55	6-8	2.550	63	9-11	3.375
47	6-8	1.750	55	9-11	2.575	64	0-2	3.400
47	9-11	1.775	56	0-2	2.600	64	3-5	3.425
48	0-2	1.800	56	3-5	2.625	64	6-8	3.450
48	3-5	1.825	56	6-8	2.650	64	9-11	3.475